

ORDINANCE NO. _____

1 AN ORDINANCE amending Chapter 2.66 of the Lincoln Municipal Code
2 relating to the Police and Fire Pension Plan - Plan "C" by amending Section 2.66.020 to
3 provide for a definition of "DROP", the Deferred Retirement Option Plan for the Police and
4 Fire Pension Plan "C"; adding a new section numbered 2.66.045 to establish the requirements
5 for participation by Police and Fire Pension Plan "C" members in the Deferred Retirement
6 Option Plan; and repealing Section 2.66.020 of the Lincoln Municipal Code as hitherto
7 existing.

8 BE IT ORDAINED by the City Council of the City of Lincoln, Nebraska:

9 Section 1. That Section 2.66.020 of the Lincoln Municipal Code be amended
10 to read as follows:

11 **2.66.020 Definitions.**

12 As used in this chapter, and unless the context otherwise requires, the following words
13 shall have the following meanings:

14 **Actuarial equivalent.** The computation of the actuarial equivalent shall be according
15 to the group annuity mortality table 1971, and interest of six percent per annum, compounded
16 annually.

17 **Age and service retirement benefits** shall include pension benefits payable to members
18 who meet applicable age and service requirements and who elect to retire, and shall not
19 include disability retirement benefits.

20 **Base pay** shall include a member's base rate of pay, longevity, and shift differential and
21 shall exclude any other additional form of pay or benefit.

22 **City** shall mean the City of Lincoln, Nebraska.

1 **Deferred annuity** shall mean an annuity under the terms of which a member has a fully
2 vested right to receive payment at a definite future date. Deferred annuities shall be payable
3 to members who have at least ten years of service, but have not attained age fifty-three. The
4 amount payable shall be an actuarial equivalent based upon: a ratio of the number of years
5 of the member's service over the number twenty-one applied to the otherwise applicable age
6 and service retirement benefits; the age of the member at time of termination; and the options
7 relating to distribution and survivor beneficiaries selected by the member.

8 **Disability retirement benefit** shall mean a benefit payable as a result of permanent and
9 total disability while in the commissioned service of the City. The amount of the benefit shall
10 be determined by several factors, including but not limited to, the member's regular pay, years
11 of service, and the cause of the permanent and total disability.

12 **DROP** shall mean the Deferred Retirement Option Plan as provided in Section
13 2.66.045.

14 **Former member** shall mean a member who has terminated his or her service with the
15 commissioned fire or police service of the City.

16 **Member** shall mean any individual in the commissioned fire or police service of the
17 City employed prior to April 11, 1984 who, prior to April 11, 1984, did not elect to contribute
18 7.6% of base pay to the plan and who elected to participate in Police and Fire Pension Plan
19 C within thirty days after the operative date of Chapter 2.62 of the Lincoln Municipal Code;
20 provided, however, the Police Chief and the Fire Chief shall not be eligible to participate in
21 this plan.

22 **Military service** shall include service in the U.S. Army, Navy, Air Force, Marine Corps
23 and any branch of service connected therewith.

24 **Normal retirement age** shall be attained age fifty-three.

1 **Partial annuity benefit** shall mean a benefit payable to a member who terminates
2 employment after completing ten years of service, but before satisfying all of the requirements
3 for age and service retirement. The amount payable shall be an actuarial equivalent based
4 upon: a ratio of the number of years of the member's service (not to exceed twenty-one) over
5 the number twenty-one applied to the otherwise applicable age and service retirement
6 benefits; the age of the member at time of termination; and the options relating to distribution
7 and survivor beneficiaries selected by the member.

8 **Plan** shall mean the Police and Fire Pension Plan "C" of the City.

9 **Regular interest** shall mean the rate of interest earned each calendar month,
10 commencing January 1, 1976, as determined by the City in conformity with the actual
11 earnings on investment of the fund created by Section 2.66.010. Whenever such interest is
12 required to be credited to any member under the provisions of this title, such interest during
13 any calendar month or portion of such month shall be based upon his or her accumulated
14 contributions, plus regular interest thereon, on the first day of that month.

15 **Regular** pay shall mean the member's base pay for the last consecutive twenty-six bi-
16 weekly pay periods. In case of a demotion, or out-of-class pay, it shall mean the highest
17 consecutive twenty-six bi-weekly pay periods.

18 **Required contributions** shall mean contributions of seven percent of a member's base
19 pay.

20 **Retirement** shall mean the termination of service in the commissioned fire or police
21 service of the City upon or after fulfilling all conditions of eligibility for retirement, and shall
22 include regular, extended, early, and disability retirement.

23 **Survivor beneficiary** shall mean the natural person having an insurable interest
24 designated in writing by the member to receive benefits under this plan in the event of and
25 after the death of a member.

1 **Total disability** shall mean (a) the physical incapacity of a member to perform the work
2 of a firefighter or police officer resulting from violence to the physical structure of the body
3 and such physical disease or infection as naturally results therefrom, or (b) mental disorder
4 (excluding mental deficiency and personality disorder) of a member, diagnosed in accordance
5 with the American Psychiatric Association Manual, 1980 Edition, which is sufficiently severe
6 so as to warrant a minimum rating of fifty percent under the general rating formula set forth
7 in 38 C.F.R. § 4.132 (7-1-93 Edition) [See Appendix A].

8 **Year of service** shall mean a period of twelve full calendar months during which a
9 member is employed in a pay status in the commissioned service of the City. Partial years
10 credit for service shall be computed on a prorata basis.

11 Section 2. That Chapter 2.66 of the Lincoln Municipal Code be amended by
12 adding a new section numbered 2.66.045 to read as follows:

13 **2.66.045 Deferred Retirement Option Plan (DROP).**

14 (a) Any member shall have the opportunity to participate in the DROP program.
15 The DROP program provides that for a one-year period, subsequent to attaining normal age
16 and service retirement eligibility, or subsequent to the adoption of the DROP program which
17 for purposes of this section shall be deemed to be the later of September 1, 2000 or the first
18 of the month following a favorable letter determination by the Internal Revenue Service, a
19 member may voluntarily choose to participate in the DROP program. If the member chooses
20 to participate in the DROP program, the member shall be deemed to have retired for purposes
21 of the Police and Fire Pension Plan "C", but the member may continue in active employment
22 for a five-year period. For the five-year period in which the member is participating in the
23 DROP program, the member's pension benefit payments will be deposited into a DROP
24 account for the benefit of the member until the member actually retires from active
25 employment at or before the expiration of the five-year period. Thereafter, future pension

1 payments will be made directly to the member, and the member will then have access to the
2 payments previously made into the DROP account.

3 (b) To participate in the DROP program, a member must meet the following
4 requirements:

5 (1) A member shall be eligible to enter the DROP program at any time
6 during the one-year period subsequent to the date when the member has (i) attained normal
7 retirement age; and (ii) completed twenty-one years of service. Members having attained
8 normal retirement age and completed twenty-one years of service on or before the date of
9 adoption of the DROP program shall be eligible to enter the DROP program only during the
10 one-year period subsequent to the date of adoption of the DROP program which shall be
11 deemed to be the later of September 1, 2000 or the first of the month following a favorable
12 letter of determination by the Internal Revenue Service.

13 (2) A member who elects to enter the DROP program shall be entitled to
14 receive regular age and service retirement benefits in accordance with Sections 2.66.100(c)
15 and 2.66.050. A member is entitled to remain in the DROP program for a maximum of five
16 years subsequent to the date of the member's DROP election. A member may separate from
17 service and thereby exit the DROP program at any time during the five-year DROP period.
18 On or before the completion of the five-year DROP period, the member must separate from
19 active employment and thereby exit the DROP program.

20 (3) During the DROP period, a member's eligible pension benefit payment
21 shall be payable to the DROP investment account vendor designated in the member's name.
22 The member shall be responsible for directing the investment account designated for the
23 benefit of the member by advising the DROP investment account vendor accordingly.

24 (4) A member electing to enter the DROP program must choose a pension
25 payment option as outlined in Section 2.66.050. After the option is chosen, the member shall

1 not be entitled to any retirement benefit changes for reasons including, but not limited to,
2 wage increases, promotions, and/or demotions; provided, however, that the restriction on
3 retirement benefit changes shall not apply in the event of duty-related death or duty-related
4 disability. The benefit amount shall be frozen as of the date of election and shall be payable
5 as if the employee retired on that date and separated from active employment. In the event
6 a member incurs a duty-related death or duty-related disability during the DROP period, the
7 member or the member's designated pension survivor beneficiary will have the option to
8 forfeit the DROP account designated for the member and accept a duty-related death pension
9 or duty-related disability pension or keep the DROP account and normal age and service
10 pension. A member shall also have the option of designating a specific beneficiary of the
11 DROP account maintained for the benefit of the member.

12 (5) No member shall be allowed to continue making the required
13 contributions while the member is enrolled in the DROP program. The member shall be paid
14 the amount of the frozen pension benefit payment upon the member's separation from active
15 employment at the expiration of the five-year DROP period and thereby ending the member's
16 participation in the DROP program. In the event a member has not voluntarily separated from
17 active employment on or before the completion of the five-year DROP period, the member's
18 pension benefit payments will be made directly to the member thereby ending the member's
19 active employment.

20 Section 3. That Section 2.66.020 of the Lincoln Municipal Code as hitherto
21 existing be and the same is hereby repealed.

22 Section 4. That this ordinance shall take effect and be in force from and after
23 its passage and publication according to law.

Introduced by:

00-104

Approved as to Form & Legality:

City Attorney

Staff Review Completed:

Administrative Assistant